

# ICPS newsletter<sup>®</sup>

## Vira Nanivska: 2005—a crisis of recovery

***ICPS Director Vira Nanivska says that growing criticism of the president is not a consequence of the worsening situation in Ukraine but the result of the right to free speech and to the free expression of opinion that Ukrainians have won. This, to her mind, is the sign of a truly democratic society. After all, complete satisfaction with those in power, as we all know, is a phenomenon common only to totalitarian regimes. However, in order not to lose the information war during the election campaign, now that the country's media have easy access to all political forces, the government has to set up a system of information flow for Ukrainian voters to become more aware of its own intentions, plans and actions. The author compares Ukraine to a patient after major surgery: the state of the body may grow worse temporarily because of the radical intervention, but there is no doubt that it will survive***

On the first anniversary of his inauguration, I heard on the radio that President Yushchenko was to blame because Ukraine's fields hadn't been sown for years and its farms have gone to ruin. And I thought that, indeed, if it is possible for Ukrainians to even think such nonsense, then Mr. Yushchenko is at fault that we did not fully realize or understand what happened on the Maidan and what it meant for each one of us.

The Maidan witnessed the miraculous birth of national will. On the Maidan, we all knew clearly that everything depended on us, on our personal engagement. On the Maidan, there were no "Little Ukrainians." On the Maidan, there was no difference between those who were on the stage and those who were not. Every one of us knew we mattered. Everyone who chose the Maidan chose to protest against the violence of those in power and against fear of those in power.

This victory remains with us today. No one is afraid of those in power and no one is afraid to say what they think. We see the opposition on our TV screens more often than the president. Freedom of speech and freedom of political competition no longer seem such a great joy or great achievement. They simply are.

We already live in a democratic society and do that which a free people should be doing: we're feeling dissatisfied with those in power and with our Government. We're having a hard time accepting this reality because our heads are still full of the soviet myth about democracy as a communist paradise where those in power are highly

moral and all the people are happy and permanently satisfied. Where the people praise their government while the government endlessly troubles itself with its people. Where there are neither poor nor rich, neither old nor sick. Under the Soviet Union, we were a very happy people, just like the people who live in Cuba, in North Korea, and in Uzbekistan are very happy people today.

In reality, democracy, as Mr. Churchill once said, is a very poor form of government—but the alternatives are much worse. Our Ukrainian democracy, the one we fought for ourselves, has only given us the right and the real opportunity to be active in keeping an eye on the actions of those in power. No democracy offers any guarantees that its leaders will be effective, but it guarantees the right to take an active position and to fight for it without any threat to life or liberty.

Let's ask ourselves, then, what will we do, other than write letters to our President, to make our lives the way we want them to be? Is our President really responsible for the dirt in our entryways? Should he designate a government official to wash our stairs? Toss out our thieving mayor?

Our President has his own heavy burden as the guarantor of our democratic rights and freedoms, which became a major personal test for him that he passed with flying colors. Political crises connected to his son's behavior and that of his closest circle only confirmed how truly dedicated Viktor Yushchenko is to the values of freedom and they did not cast any doubt on his support

### ***The search for ways to improve party platforms continues***

At the beginning of 2006, the International Centre for Policy Studies launched a project called "The Impact of NGOs on the Formation and Implementation of Political Platforms." Under this project, non-government think-tanks from Donetsk, Mykolayiv, Poltava, and Vinnytsia will analyze and evaluate party platforms using methods developed by ICPS and will organize public debates of these platforms.

The ICPS has been analyzing, evaluating and monitoring party platforms since December 2003. The experience of involving the public in formulating party policies was presented in several publications issued as part of the "Public Participation in the Dialog on Party Platforms" project completed in March 2005. As part of this earlier project, ICPS specialists worked with researchers from six regional think-tanks to develop methods to evaluate the quality of party platforms and monitor how parties implemented them.

On 12 January 2006, project participants gathered for a seminar where they discussed how to improve methods they had developed earlier in order to apply them to the 2006 Verkhovna Rada elections, which be entirely based on the proportional system for the first time. The results of this research will be published in late 2006.

Research into ways to improve party platforms and to involve voters in formulating the positions of political parties is being financed by the Ukraine Citizen Action Network (UCAN). For more information on this research, visit us online at: <http://www.icps.com.ua/eng/project.html?pid=98>. Materials from the research carried out over 2003–2005 can be found online at: <http://www.icps.com.ua/eng/project.html?pid=15>.

for a free press and free political competition. His very reaction to these painful, scandal-ridden challenges reassured everyone of the irreversibility of democratic transformations in this country.

I think there is only one key issue that Mr. Yushchenko has not even begun to resolve: the system of communication with Ukrainian society in terms of what those in power intend to do, their plans and their actions. The full personal openness of power without a systematic dialog on the content of its policy only disorients voters and creates a kind of dissonance as people fail to understand the logic and consistency of the actions of the country's leadership. Unfortunately, there is, for instance, no place where someone might read a Government policy paper, a report on its own work throughout 2005, although there is plenty for it to be proud of.

In foreign policy, in just one year, Ukraine has turned from a black hole in international relations to an active player.

Ukraine's Armed Forces have undergone much-awaited systemic transformations.

But the most radical, deepest-cutting "surgical" changes were in the economy. 2005 became payback time for the long years of a deliberate policy of no reform, the year of administrative crisis as the country's new leadership rejected hand management, and the year of political crisis in relations with Russia as these ties were taken out of the shadow of corrupt backroom deals which usually were made at the price of Ukraine's national interests.

For the second time in his political career, Viktor Yushchenko is being accused of destabilizing the economy: In 2000, the rallying cry was that taking away barter arrangements would destroy Ukraine's economy. Mr. Yushchenko held his ground and knocked down the barter system. Real money began to flow into state coffers and, for the first time, all pensions and salaries were paid out. The economy recovered and a five-year boom began. Today, the same cry can be heard that Mr. Yushchenko has destroyed Ukraine's economy because he's making people pay taxes and because he stopped businesses from abusing the tax breaks provided by free economic zones; that he's causing inflation because he's raised the minimum wage and pensions and he's paid them out, and because he dared to raise the wages in the public sector so that bureaucrats wouldn't have to survive through bribery.

Every decisive act is a risk. Even surgical intervention for appendicitis entails risks: the gut was whole, but now there's blood

everywhere and there could be infection. But that doesn't stop people with appendicitis from going to the surgeon, because they know the price if they don't. Mr. Yushchenko inherited a very progressed disease and an "organism" seriously damaged by unhealthy habits. For this reason, surgery is very difficult and the post-operative period even more so. The patient's running a fever, there's some infection, the body wants painkillers, and the relatives are screaming bloody murder at the doctor who took a knife to the patient.

With an economy, things are much more complicated than in medicine, because the average citizen does not necessarily understand the high price of not taking decisive steps. Ukraine has a Budget that bears no relationship to any economic or political strategy and an irresponsible Verkhovna Rada that has violated the Law on the Budget for years, accumulating program expenses that were never planned in the Budget. The entirely "greasy" hand-managing of the economy that many openly call a free-for-all offered no protection for property rights or the right to fair competition—not even the possibility for some kind of strategic development. Big business operated only in a "special" hyper-spending mode and gave no thought for its social responsibilities—or even, for that matter, for its own future in a competitive world.

Mr. Yushchenko's strategic moves have been precise and follow two basic rules: reject all forms of privilege that ever and inevitably spawn corruption and ensure social support for the most vulnerable. These steps have already led to a sharp increase in Budget revenues. The new leadership has rejected hand management and has started, for once, to work according to the rules. One brilliant result was the impressive re-sale of KryvorizhStal.

If his motives stay clean, President Yushchenko is "doomed to succeed" because his main goals—an effective judiciary and protected property rights—are all in the opposition's best interests, too. ■

*Vira Nanivska is the current Director of the International Centre for Policy Studies (ICPS) in Kyiv, Ukraine and is regarded as an active promoter of policy development, economic research, and administrative reform throughout Central and Eastern Europe. As Director of ICPS since 1997, Ms. Nanivska has been an active promoter of civil society and NGO development. She has built substantial experience in designing technical assistance programs and facilitating communications between international experts and the Government of Ukraine.*

*Other recent publications by Vira Nanivska can be found at: <http://www.icps.kiev.ua/eng/expert.html?exp=vnanivska>.*

### ***Rejecting a rise in residential gas and power rates is a threat to the economy***

The decision to freeze residential gas and electricity rates for residential consumers, which was made for purely political reasons, threatens a steep deterioration in the financial and technical standing of both the domestic power industry and the residential services sector. Moreover, it reduces incentives to save energy, says International Centre for Policy Studies economist Ildar Gazizullin.

The Government has put off a decision to raise residential gas and power rates 25% and 20%. Most likely these rates will not be changed prior to the Verkhovna Rada elections at the end of March. Unfortunately, growing prices for the fuel resources needed by the power industry and the residential services sector are unlikely to be postponed. Given the already-poor financial and technical condition of these two sectors, this latest decision threatens to make the quality of services provided even poorer and complicates the stated objective of reforming both sectors.

The situation is being aggravated further because of populist initiatives, such as a recent decision by the Verkhovna Rada

decision to provide "children of WWII," meaning those who were under 18 on Sept. 2, 1945, with a 25% discount on residential services although there is no Budget support for this subsidy.

By preserving the current system of cross-subsidies, the government will once again shift the burden of financing subsidized rates for residential consumers to industrial consumers. Yet industrial rates are, on average, already double residential rates. This means new price hikes for energy resources for industrial consumers that will actually be higher than the latest increase in the price of imported gas. In short, economic growth is being sacrificed to finance the current election campaign.

The ICPS economist says that, rather than persist in this discredited practice, Ukraine should bring rates for industrial and residential consumers closer. The national objective of raising energy efficiency in the domestic economy cannot be addressed to the industrial sector alone. Artificially low residential gas and power rates will only encourage continuing inefficient use of the country's resources.

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